Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

51/PC

[redacted]

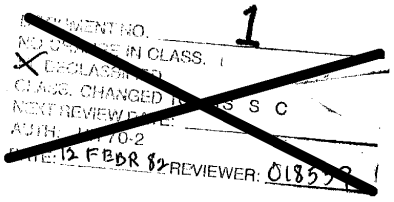
SECURITY INFORMATION

ECONOMIC INTELLIGENCE REPORT

THE IMPACT OF SHIPPING CONTROLS ON WESTERN EUROPE AND THE SOVIET BLOC

E.C-WP-1

31 August 1953



WARNING

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES, WITHIN THE MEANING OF TITLE 18, SECTIONS 793 AND 794 OF THE U.S. CODE, AS AMENDED. ITS TRANSMISSION OR REVELATION OF ITS CONTENTS TO OR RECEIPT BY AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

DOC Waiver Letter In ERU File

ECONOMIC INTELLIGENCE COMMITTEE

[redacted]

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

[redacted]

NOTICE

Reproduction of this document in whole or in part is prohibited except with permission of the issuing office.

This security information is released under the condition that a record be kept by the recipient of all individuals who are afforded access to the information contained in the document, and that this record be made available to the Department of Defense if requested.

[redacted]

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

FOREWORD

This study is issued as a working paper rather than as a finished report because of its inadequacies particularly on certain political questions relating to the "impact of shipping controls." The statistics and descriptive data contained in this paper were prepared largely by the Office of Naval Intelligence and the Department of Commerce. These data - presented 30 June 1952 - have been agreed upon by the EIC Transportation Subcommittee, including representatives from CIA, FOA, and the Departments of State, Army, Navy, Air Force, and Commerce. However, the main committee of EIC felt that a great deal more research on political considerations, balance of payments, and similar items would be necessary in order to have an adequate answer to the question originally posed for the study, that is, the "impact of shipping controls." For this reason the estimative conclusions of this paper have not been agreed upon.

The main committee of EIC felt that additional work on this paper would not be worth the effort. A special working group of the Economic Defense Advisory Committee is currently concerned with this problem and, in fact, has already used the statistical and descriptive material contained in this paper while it was still in draft form. The basic paper prepared in the Cargo Transport Controls Working Group of EDAC used this statistical and descriptive material in the drafting of negotiating guides which have been accepted by the Executive Committee of EDAC (ED/EC D-6/2a - 15 July 1953).

The EIC wishes to emphasize that this paper should be used with due consideration for the limitations noted above.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

CONTENTS

		Page
I.	**Soviet Bloc Merchant Fleet**	1
	A. Composition	1
	B. Shipbuilding Industry	2
	C. New Construction and Purchases in the West	5
	D. Imports of Marine Equipment	6
	E. Integration of Soviet Bloc Merchant Fleets	7
	F. Movements of Soviet Bloc Vessels	8
	G. Relative Importance of Sea Transport	9
II.	Non-Communist Ship and Shipbuilding Trade with the Soviet Bloc	10
	A. Non-Communist Registered Merchant Shipping under Charter to the Soviet Bloc in 1951	10
	B. Transportation of Controlled Goods to Soviet Bloc Ports	11
	C. Figures of Earnings from Ships Sales to the Soviet Bloc	11
III.	Balance of Payments Considerations	19
	A. **Summary of Western Trade Relations with the Soviet Bloc by** Countries	19
IV.	Effect of Sudden Withdrawal of Charter Parties	22
V.	Importance of Merchant Vessels to the Soviet Bloc in Time of War	23
	A. Physical Characteristics of Soviet Bloc Merchant Vessels	23
	B. **Western Facilities Denied to the Soviet Bloc**	23

Appendix

Appendix A.	Tabulation of the Estimated Total Maximum Yearly Capacity of Shipyards in the Soviet Bloc	24

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

THE IMPACT OF SHIPPING CONTROLS ON WESTERN EUROPE AND THE SOVIET BLOC*

I. Soviet Bloc Merchant Fleet.

A. Composition.

As of 15 May 1952 the Soviet Bloc merchant fleet consisted of 808 ships (over 1,000 gross tons) of about 2.7 million gross tons. This total includes merchant ships under Soviet Bloc registry as well as 48 Chinese Communist ships registered in non-Communist countries. The USSR has about three-quarters of the Soviet Bloc shipping tonnage, that is, 592 ships of about 2 million gross tons. Communist China has 135 ships of 366 thousand gross tons (almost half of the tonnage being under non-Communist flag). Poland has 67 ships of 254 thousand gross tons. The remaining 14 ships of 47 thousand gross tons are registered in Bulgaria, Czechoslovakia, Hungary, and Rumania. (For details see Table 1.)**

By Western standards the Soviet Bloc merchant fleet is of poor quality. Even with the inclusion of 83 Lend-Lease ships of 518 thousand gross tons, the Soviet fleet is definitely over-age, of slow speed and small size, and close to obsolete. Two-thirds are over 20 years old, nine-tenths cannot exceed a normal cruising speed of 12 knots, three-quarters are under 5,000 gross tons (the average size being 3,450 gross tons), and three-fifths are coal burners. As a fuel for merchant ships, coal is inferior to oil, but on the other hand coal-burning ships are in some respects more suitable for the Bloc, especially as the Bloc fleet lacks tankers to transport oil to such areas as the Baltic where petroleum is not locally produced.

The Soviet merchant fleet has an acute lack of tankers. The 33 Soviet tankers have a combined capacity of about 200 thousand deadweight tons, which, for example, is equal to only 3 day's production of the Abadan refineries. (By way of contrast, the US has over 600 tankers with a capacity of almost 10 million deadweight tons. Percentage-wise, tankers comprise only 6.5 percent of Soviet tonnage, whereas the comparable US figure is about 24 percent.)

Precise information is not available on the condition of the Soviet merchant fleet, but it is estimated that at least 20 percent of the Soviet tonnage is out of service for repairs at home and abroad at any given time, and an additional unknown amount is probably inoperative because of obsolescence and poor material condition. Factors which contribute to the deterioration of the Soviet merchant marine are the large number of very old ships in the fleet, inefficient maintenance, and severe winter ice conditions in Soviet ports except in the Black Sea.

In general, the Chinese Communist merchant marine has characteristics similar to those of other Soviet Bloc fleets. The ships are for the most part slow and small, but the fleet is younger than the Soviet merchant marine and has a higher percentage of oil-burning ships. The fleet lacks tankers, having only 11 totalling 15,056 gross tons. China's chief source of maritime strength is its huge fleet of small craft (under 1,000 gross tons). It is impossible to estimate the number or total tonnage of these small ships except in indefinite figures, that is, thousands of ships totalling several hundred thousand gross tons.

Compared to the Soviet merchant marine, the Polish fleet is younger and faster, but the ships are on an average equally small (the average size being 3,787 gross tons), and a majority are coal burners -- coal being plentiful in Poland. This fleet also lacks tankers. Two-fifths of the ships are over 20 years old, over two-thirds have a normal cruising speed of less than 12 knots, three-quarters are under 5,000 gross tons, and three-fifths are coal burners.

The merchant fleets of the other Satellite nations (Bulgaria, Czechoslovakia, Hungary, and Rumania) are so small that they do not merit detailed discussion. However, it is noteworthy that Rumania has a 6,672 gross ton passenger liner, the TRANSYLVANIA.

* This paper contains information available as of 30 June 1952.

** Table 1 follows on p. 2.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

S-E-C-R-E-T

Table 1

Composition of the Soviet Bloc Merchant Fleet
(1,000 Gross Tons and Over)
15 May 1952

	Number	Tonnage (Gross Tons)	Combination Vessels	Types of Freighters	Ships and Tankers	Miscellaneous a/
USSR	592	2,000,954	74	464	33	21
Communist China b/	135	366,153	39	85	11	0
Poland	67	254,203	3	57	2	5
Other European Satellites c/	14	47,694	2	12	0	0
Total	808	2,669,004	118	618	46	26

a. "Miscellaneous" ships include large trawlers, whaling factories, crab canneries, and others.
b. The total for Communist China includes 48 ships of 161,745 gross tons under foreign flag.
c. "Other European Satellites" include Bulgaria, Czechoslovakia, Hungary, and Rumania. Neither Albania nor East Germany has any ships of 1,000 gross tons or over.

The shipping tonnage under Soviet Bloc ownership has increased by 135 percent since 1939. (That is, for every 100 tons in 1939 there were 235 tons in 1952.) In September 1939 the USSR had 354 ships of 1.1 million gross tons. In May 1949 the Soviet fleet had increased to 522 ships of 1.8 million gross tons, because of the addition of 83 US Lend-Lease ships, and reparations or seizures from Estonia, Latvia, Finland, and Germany. At the same time the Bloc had 184 ships of 560 thousand gross tons in the European Satellites and Communist China, so that the total Bloc fleet then amounted to 706 ships of 2.4 million gross tons. Between May 1949 and May 1952 the Bloc merchant tonnage increased by over 10 percent. In this period the Soviet fleet showed a net increase of 70 ships of 154 thousand gross tons, including 30 ships built in Hungary, 15 in Finland, 3 in Poland, and 19 in non-Communist shipyards. The European Satellite fleets increased by 32 ships of 108 thousand gross tons (25 Polish ships including 13 purchased in the West, 3 Rumanian, 2 Bulgarian, 1 Hungarian, and 1 Czechoslovakian), so that in May 1952 the total Bloc merchant fleet comprised 808 ships of 2.7 million gross tons. (For details see Table 2.)*

B. Shipbuilding Industry.

1. Shipbuilding Facilities.

a. Capacity.

Shipbuilding facilities within the Soviet Bloc are capable of producing 1,290,200 gross tons of shipping (merchant and navy) per year.** Of this total, the USSR is capable of constructing 747,400 gross tons; Poland, 200,300 gross tons; and East Germany, 186,850 gross tons. Czechoslovakia, Rumania, Communist China, Bulgaria, Hungary, and Albania have a total capacity of 155,650 gross tons per year. (See Appendix A.)***

* Table 2 follows on p. 3.
** The maximum yearly capacity is based on one 8-hour shift, 5-day week operation, without general use of prefabrication, and assuming the source and supply of shipbuilding material and component parts are adequate. It has been calculated from the largest cargo ship which could be built on the ways or in the docks, with reference to adequate supporting shop facilities, and a productivity of labor based on known US performance standards.
*** Appendix A follows on p. 25.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

SECRET

Table 2

Merchant Ships Acquired by the Soviet Bloc a/* b/
1939-52

Countries in the West Selling Second-Hand Ships to the Soviet Bloc	Total		1939-46		1947		1948		1949		1950		1951		1952 to 15 May	
	Number	GRT c/	Number	GRT c/	Number	GRT c/	Number	GRT c/	Number	GRT c/	Number	GRT c/	Number	GRT c/	Number	GRT c/
UK	6	39,659					1	3,044					5	36,615		
Denmark	5	22,505	1	2,709							1	4,467	3	15,329		
Norway	4	17,820			1	4,191			1	3,649	2	9,980				
Sweden	3	9,524	1	1,240	1	2,263							1	6,021		
France	1	8,062											1	8,062		
US	1	7,612			1	7,612										
Philippines	1	5,011									1	5,011				
Belgium	1	1,629							1	1,629						
Total	22	111,822	2	3,949	3	14,066	1	3,044	2	5,278	4	19,458	10	66,027		
Countries in the West Constructing and Delivering New Ships to the Soviet Bloc																
Belgium	13	22,950							1	1,760	3	5,010	6	10,710	3	5,470
Italy	2	6,996											1	3,498	1	3,498
Finland	2	4,722											2	4,722		
UK	2	4,385							1	1,166	1	3,219				
Sweden	3	3,342											2	2,228	1	1,114
Denmark	1	3,181											1	3,181		
Total	23	45,576							2	2,926	4	8,229	12	24,339	5	10,082

* Footnotes to Table 2 follow on p. 4.

SECRET

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Table 2
(Continued)

	Total		1939-46		1947		1948		1949		1950		1951		1952 to May 15	
	Number	GRT c/	Number	GRT c/	Number	GRT c/	Number	GRT c/	Number	GRT c/	Number	GRT c/	Number	GRT c/	Number	GRT c/
Construction in Soviet Bloc	13	25,438					1	1,080	2	4,008	5	9,728	1	1,946	4	8,676
Salvaged Ships	11	51,395			1	15,286			6	27,804	2	4,851	2	3,454		
Reparations-Second-Hand Ships	128	401,772	128	401,772												
Reparations-New Construction	48	68,983	8	11,683	4	5,771	10	12,691	2	4,621	10	13,034	9	14,207	5	6,976
Seizures	57	44,535	57	44,535												
Lend-Lease	83	518,310	83	518,310												
Total	340	1,110,433	276	976,300	5	21,057	11	13,771	10	36,433	17	27,613	12	19,607	9	15,652
Grand Total d/	385	1,267,831	278	980,249	8	35,123	12	16,815	14	44,637	25	55,300	34	109,973	14	25,734

a. Blank spaces in this table indicate "none."
b. This tabulation excludes Communist China and ships under 1,000 gross tons.
c. Gross Registered Tons.
d. The grand total represents the actual acquisitions between 1939 and 15 May 1952. The net increase of the European Soviet Bloc merchant fleet between 1939 and 15 May 1952 is 319 ships of 1,167,068 gross registered tons, because of deletions through sinking, scrapping, and transfer.

S[redacted]T
Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Although the USSR is capable of producing 747,000 gross tons of shipping per year, at the present time its maximum output of merchant shipping is estimated to be only 29,000 gross tons, all small craft, or less than 4 percent of its total capability, mainly because of a concentrated naval construction program.

b. Technological Ability.

The technological ability (that is, in shipyard facilities, engineers, and skilled labor) of the Soviet Bloc to produce a given ship, is roughly comparable to that of the US or the UK. The quality of Bloc technicians compares favorably with the West, but the quantity of trained personnel constitutes a shortcoming in shipbuilding capabilities.

c. Location and Capacity of Facilities.

More than one-half of the entire shipbuilding capacity of the Soviet Bloc is located in the USSR and is concentrated in five areas: Baltic, Black Sea, Arctic, Far East, and inland. Of the Satellites, Poland and East Germany have a combined capacity of one-third of the total Bloc tonnage; Czechoslovakia, Rumania, Communist China, Bulgaria, Hungary, and Albania, about one-sixth of the total Bloc tonnage. (See Table 3.)*

d. Bottlenecks.

Steel shipbuilding plates, rolled shapes, propulsion equipment, and castings are in short supply in the Satellites, and imports from the West are necessary to maintain a satisfactory level of merchant shipping production. (While such hard goods could be imported from the USSR, it would necessitate a reduction in the Soviet naval ship construction program.)

e. New Construction in Progress or Planned.

The present construction of merchant ships in the Soviet Bloc is limited to inland waterway vessels, coastal merchant ships, and fishing vessels. While the future construction program in the USSR is unknown, Poland and East Germany are aiming at the enlargement of their overseas merchant fleets. These aims, as stated, vary considerably from time to time, and no realistic estimate of future construction may be made.

3. Conversion and Usage of Old Vessels.

In the immediate past the Soviet Bloc relied rather heavily on the conversion and repair of old and salvaged vessels as a means of building up its merchant fleets, even though costs have necessarily been excessive. If Satellite shipbuilding facilities and production should be expanded, as stated in various plans, it is probable that such uneconomical methods will be discontinued.

4. Shifting of Resources.

If imports from the West are subjected to greater restrictions than now exist, a corresponding strain will be placed on the economy of the Soviet Bloc. Depending on the final aims of the Bloc -- naval versus merchant shipping construction -- resources from the West (including both materials and shipping services) allotted to the naval construction program would have to be transferred to the merchant shipbuilding industry if Bloc merchant fleets are to be expanded and maintained.

C. New Construction and Purchases in the West.

1. Extent and Nature of Soviet Bloc Purchases.

In the last 5 years the Soviet Bloc has purchased from Western countries 20 merchant ships of 107 thousand gross tons which were not of new construction. Of these ships, 17 are under Polish registry, 2 are registered in Bulgaria, and 1 is registered in Czechoslovakia. Three were bought in 1947, 1 in 1948, 2 in 1949, 4 in 1950, and 10 in 1951. Six were bought in the UK, 4 in Denmark, 4 in Norway, 2 in Sweden, and 1 each in France, Belgium, the Philippines, and the US. One is a dredger, 1 is a tanker, and the remainder are freighters. Fourteen are under 7,000 gross tons, and 10 have normal cruising speeds of less than 12 knots. (For details see Table 2.)

* Table 3 follows on p. 6.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

In addition to these purchases, the Soviet Bloc has received 23 ships of 45,000 gross tons constructed under trade agreements in Western shipyards since 1949. Of these ships 19 went to the USSR, 3 to Poland, and 1 to Bulgaria. Two were delivered in 1949, 4 in 1950, 12 in 1951, and 5 in 1952 (as of 15 May). Thirteen were built in Belgium, 3 in Sweden, 2 each in the UK, Finland, and Italy, and 1 in Denmark. Thirteen are cargo vessels, 5 are trawlers, 3 are tankers, and 2 are combinations. The average size is 1,981 gross tons. Seven ships have a normal cruising speed in excess of 12 knots.

As of 15 May 1952, 53 more ships of 108,000 gross tons were under construction or on order for the Soviet Bloc in 6 Western shipyards. All are destined for the USSR. Thirty-two are on order in Finland, 8 in the Netherlands, 7 in Denmark, 5 in Belgium, and 1 in Sweden. Thirty are cargo vessels, 23 are tankers, and 6 are combinations. The average size is 2,190 gross tons. An unconfirmed report states that Italy has contracted to build 6 ships of 21,000 gross tons for the USSR.

a. Prices.

The Russians are willing to pay a premium for merchant shipping constructed to their order in the West. In Belgium (believed to be representative of the general situation) they pay 50 percent more than the current market price. Details are not available on prices paid by the Russians for second-hand ships.

b. Methods of Acquisition.

The Russians arrange for new construction directly and overtly. Of the 23 second-hand ships which the Soviet Bloc has bought since 1950, 4 are known to have been transferred to the Bloc under the terms of trade agreements, and the remainder were acquired more or less covertly, usually through an intermediary after a period of operation under Soviet Bloc charter.

c. Terms of Delivery.

The terms of delivery are cash or payment in goods under trade agreements. In general the Russians pay cash for second-hand ships and arrange for new construction through trade agreements.

d. Shipbuilding Materials.

The Soviet Bloc has supplied only insignificant amounts of shipbuilding materials for ship construction in the West.

D. Imports of Marine Equipment.

Table 3 represents the value of exports to the Soviet Bloc of ships and marine equipment for 1950 and 1951. Total exports of these commodities are also stated for comparative purposes.

Table 3

Value of Ship and Marine Equipment Exports
Total and Soviet Bloc
1950-51

Million Dollars

Country	Total Exports 1950	Total Exports 1951	Exports to Soviet Bloc 1950	Exports to Soviet Bloc 1951
UK	131.6	162.4	1.9	0
Norway	17.0	64.0	0.8	0.2
Netherlands	7.8	8.4	1.5	1.2
Italy	25.2	20.2	1.0	9.4
Sweden	70.7	N.A.	1.5	N.A.
Denmark	1.8	N.A.	1.7	N.A.
Finland	3.3	N.A.	3.1	N.A.
Belgium	4.9	12.4	2.7	5.5
France	N.A.	3.3	N.A.	0
Total	262.3	270.7	14.2	16.3

The figures in Table 3 represent the export value of ships and marine equipment. Taken separately, the figure representing marine equipment, motors, and parts is shown in Table 4.*

* Table 4 follows on p. 7.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Table 4

Value of Marine Equipment Exports
1950-51

Million Dollars

Country	Total Exports 1950	Total Exports 1951	Exports to Soviet Bloc 1950	Exports to Soviet Bloc 1951
UK	14.2	13.7	0.6	0
Netherlands	2.1	2.0	0	0
Italy	N.A.	6.8	N.A.	6.8
Total	16.3	22.5	0.6	6.8

The countries not listed in Table 4 did not export marine equipment to the Soviet Bloc during this period.

E. Integration of Soviet Bloc Merchant Fleets.

1. General Progress.

The Satellite merchant fleets appear to be independent, but all operate in greater or lesser degree under Soviet control, which is effected in part through the use of Soviet personnel in key administrative positions.

In 1946 Hungary and the USSR formed the Soviet-Hungarian Shipping Company, Ltd. (MEZHART) which operates mainly on the Danube. In theory this company is an equal partnership between the two governments. In fact it operates under Soviet control.

In 1948 Rumania and the USSR formed the Soviet-Rumanian Navigation Company (SOVROMTRANSPORT) to operate Rumania's seven merchant ships. Rumania contributed most of the capital, but management of the concern is vested in a Russian.

In 1948 Bulgaria formed the Bulgarian Maritime Fleet, which in theory is Bulgarian owned and managed. In fact Soviet engineers control this organization.

In January 1951 the Polish merchant marine underwent a reorganization which abolished the Gdynia-American Lines, the Polish Navigation Company, and the Polish-British Steamship Company, Ltd., and established the Polish Ocean Lines and the Polish Steamship Company. These two new companies operate under the administrative direction of the Polish Central Board for shipping which is subordinate to the Polish Ministry of Navigation. These organizations apparently retain their national autonomy, but Soviet domination is evidenced by the transfer of the Polish ships SOBIESKI and JAGIELLO to Soviet registry.

Czechoslovakia has only one ocean-going ship, the REPUBLIKA, operated by Czechofracht, Ltd., Prague, under Soviet control.

East Germany has no merchant ships of 1,000 gross tons and above, but its extensive fishing fleet is completely under Soviet domination.

Albania's merchant fleet is limited to government-owned coastal schooners, which are believed to operate under indirect Soviet control.

It is probable that there is some Soviet penetration in the administration of the Chinese Communist merchant marine, but the exact nature and extent of this penetration is not known.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

2. Interchange of Crews.

There is evidence that Soviet personnel are on board some Satellite vessels; some exchange of working crews and training groups between Satellite merchant fleets has occurred.

3. Transfer of Vessels.

A total of six ships is known to have been transferred by Satellite countries to the USSR. (Poland transferred 5, totalling 25,000 gross tons, and Rumania transferred 1 of about 7,000 gross tons.) In 1949, the USSR, in turn, transferred 3 vessels totalling 11,000 gross tons to the Rumanian flag.

4. Training of Merchant Marine Crews.

While it is known that Russians supervise the training of Albanian and Rumanian merchant marine crews, the degree of Soviet control over training in other Satellite fleets is not known.

F. Movements of Soviet Bloc Vessels.

1. Routes and Cargoes.

The Soviet merchant fleet operates almost exclusively in home waters and between Soviet spheres, and acts as an extension of the incomplete Soviet Bloc railway network. In some areas the fleet is vitally important; for example, Albania and outlying parts of Eastern Siberia can be supplied only by sea. Normally the Soviet merchant tonnage is allocated as follows; 55 percent in the Far East, 20 percent in the Black Sea, 20 percent in the Baltic, and 5 percent in the Arctic (mainly in the Murmansk-Archangel area). An insignificant amount of Soviet shipping transits the Northern Sea route (Murmansk area eastward to the Vladivostok area or vice versa), although seasonal coastal traffic is quite heavy. At any given time in recent years no more than 10 percent of Soviet merchant tonnage was outside of Communist-controlled waters. Vessels tend to stay in an area for a considerable time and act as an intra-area feeding service. Little firm information is available on Soviet shipping that stays behind the Iron Curtain. The shipping that ventures outside mostly follows normal trade routes, except that since the start of the Korean War ships bound north or south along the Chinese Siberian coast have avoided the Tsushima Straits. No regular pattern may be derived as to the type of Soviet ships engaged in traffic outside the Bloc area, except that relatively few are so engaged at any one time. Some Soviet ships have operated under British charter to carry timber from the Soviet Arctic to the UK, some Soviet ships have carried grain from the Black Sea to Egypt, some Soviet ships have carried general cargo of a more or less strategic nature from Europe to the Far East, and some Soviet ships have carried fodder and strategic raw materials from the Far East to Europe. No apparent effort is made, however, to operate with regularity or economy. Soviet ships move in and out of Soviet home waters apparently at random, and from time to time small coastal ships unsuited to long voyages have been sent on voyages from Europe to the Far East and back again. However, it is known that merchant marine operations outside the Bloc are exploited for intelligence. Following are some examples of the observed Soviet techniques: (a) contact with and supply of agents or smuggling in Southeast Asia, (b) surveillance of Western naval forces in the Mediterranean, (c) surveillance of shore defenses in the Bosphorus and Gibraltar area, (d) purchases of many charts covering Western Hemisphere coasts, and (e) research in fields of hydrography and oceanography by scientists who accompany whaling expeditions.

In contrast to the Soviet fleet, the Polish merchant marine operates on regular schedules set up on sound economic principles. Thus Polish ships are properly routed according to their size and capabilities. The small coastal-type ships operate in or near the Baltic and only the large ships make longer voyages. At any given time about 75 percent of the fleet is in or near Polish home waters. About half of the shipping tonnage trades exclusively with Western Europe, and the other half trades along the sea route from Poland to Communist China via Suez. Polish ships follow standard trade routes. They have carried strategic cargoes from Europe to China and strategic raw materials

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

from China back to Europe. It is apparent that the USSR has selected the Polish merchant fleet as the agent to carry the bulk of the intra-area Soviet Bloc trade.

The Chinese Communist merchant marine tends to remain in Chinese home waters and to follow normal coastal routes. The only Chinese-owned ships that regularly touch foreign ports are those under foreign flag, but even these ships trade mostly in the Far East.

2. Servicing of Soviet Bloc Vessels in Western Ports.

The Soviet Bloc is partly dependent upon the West for bunkering, watering, provisioning, pilotage, dockage, insurance, agent services, and ship surveying. Bloc flag vessels are capable of operating in European waters without bunkering in non-Bloc ports, but on their longer trade routes they are at least partially dependent on Western supplies. Bloc officials have made an effort to establish fuel depots in Communist China for vessels engaged in the China-Europe traffic, but it is, nevertheless, common for such vessels to seek bunker fuel at intermediate ports on the route. Since the departure of Lloyd's surveyor-inspector from Poland in mid-1950, all Polish vessels registered with Lloyd must undergo inspections for purposes of certification in Western ports. Part of the Satellite merchant fleet is still insured by Western underwriters. Several London firms act as agents for Bloc vessels. Bloc vessels are obviously dependent upon such local services as pilotage, dockage, and assistance of local agents when entering Western ports.

3. Repairing of Soviet Bloc Ships in Western Ports.

On 15 May 1952, 18 Soviet Bloc ships of 104,000 gross tons were under repair in Western yards. Ten of these ships were Russian and the remainder were Polish. Five ships were under repair in Italy; 3 each were under repair in Belgium, Denmark, the Netherlands, and West Germany; and 1 was under repair in the UK. (For details see Table 5.)*

This situation is believed to be normal. The volume of Soviet Bloc shipping under repair at any one time in Western yeards has not varied appreciably in the past year.

So far as the Soviet Bloc is concerned, the use of efficient Western yards for ship repairs represents a major convenience. So far as the West is concerned, the repairing of Bloc ships has only trivial economic importance, for the Bloc ships use only a fraction of the over-all non-Communist ship-repair facilities.

G. Relative Importance of Sea Transport.

1. Tonnage Moved by Sea Transport.

Excluding Communist China, about 60 percent of the Soviet Bloc's export tonnage to the West and about 65 percent of the import tonnage from the West move by sea. Communist China's trade with the West is about 85 percent seaborne in both directions. Precise information is not available on the value of the Bloc's seaborne trade. However, some items of great strategic importance, such as rubber, enter the Bloc only by sea. Statistics released by the USSR state that 7.5 percent (by ton-kilometer) of Soviet domestic trade moves by sea. It is estimated that 15-25 percent of the entire Bloc's domestic trade moves by sea.

2. Commodity Movements.

Detailed information is not available on commodity movements in the Soviet Bloc's trade with the West and in the Bloc itself. For a summary of the main routes of the Bloc merchant fleet, see section "F" above.

* Table 5 follows on p. 10.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Table 5

Soviet Bloc Merchant Ships under Repair in West European Yards
15 May 1952

Port	Ship	Nationality	Tonnage (Gross Tons)	Date of Arrival
Belgium				
Antwerp	MOLOTOV	Russian	2,332	29 March 1952
	KUBAN	Russian	7,176	14 April 1952
	KOSCIUSZKO	Polish	7,527	31 March 1952
UK				
Middlesborough	STALOWA WOLA	Polish	3,133	15 December 1951
Denmark				
Aarhus	WISLA	Polish	3,108	2 September 1951
Copenhagen	MYKOLAJ REJ	Polish	5,614	22 February 1952
Elsinore	KIELCE (Ex-Emily Sauber)	Polish	3,485	2 July 1951
Netherlands				
Amsterdam	STALINABAD	Russian	7,176	13 February 1952
Schiedam	IVAN POLZUNOV	Russian	7,176	22 March 1952
	PSKOV	Russian	7,176	26 March 1952
Italy				
Genoa	PAMIR	Russian	6,492	4 October 1951
	SEVASTOPOL	Russian	7,176	5 April 1952
	ALEXANDER SUVOROV	Russian	7,176	4 May 1952
Naples	KOLKHOSNIK	Russian	7,148	10 March 1952
	TARAS SHEVCHENKO	Russian	5,622	16 April 1952
West Germany				
Hamburg	PRZYSZLOSC	Polish	7,196	25 April 1952
Bremen	PRZYJAZN NARODOW	Polish	8,880	21 April 1952
	OLSZTYN	Polish	1,925	5 May 1952
Total		10 Russian	64,650	
		8 Polish	40,868	
		18	105,518	

IX. Non-Communist Ship and Shipbuilding Trade with the Soviet Bloc.

A. Non-Communist Registered Merchant Shipping under Charter to the Soviet Bloc in 1951.

During 1951, 1,280 non-Communist registered merchant ships of 4.6 million gross tons traded with the Soviet Bloc in Europe and in the Far East.* Of this total, 117 ships of 0.5 million gross tons are known to have been chartered to Bloc countries. Much of the remaining shipping is believed also to have operated under Soviet charter of some sort, but details are unknown.

The non-Communist registered merchant shipping tonnage known to have been chartered to Soviet Bloc countries in 1951 (that is, 0.5 million gross tons) was registered in 11 countries, with European COCOM member nations (UK, Norway, Italy, and Denmark) accounting for well over one-third. Other European countries (Greece, Turkey, Finland, and Sweden) supplied almost one-third of the registered

* This total includes all non-Communist registered merchant ships (over 1,000 gross tons) that sailed to or from a Soviet Bloc port in 1951. Each ship is counted only once, regardless of the number of voyages made.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

tonnage. Panama, Costa Rica, and Liberia made available almost one-third. However, all the ships of Panamanian, Costa Rican, and Liberian registry known to have been under Bloc charter in 1951 were beneficially owned by firms located in the UK, US, Greece, and Italy. This circumstance doubles the COCOM tonnage known to have been under Soviet charter. (For details see Tables 6 and 7.)*

About one-third of the non-Communist registered merchant ships known to have been chartered to the Soviet Bloc operate on long-term charters (six months or longer).

Of the 117 non-Communist registered merchant ships known to have been chartered to Soviet Bloc countries, only 9 totalling 50,274 gross tons were tankers. One third of the vessels exceeded 7,000 gross tons, and one-tenth exceeded 12 knots in speed.

B. Transportation of Controlled Goods to Soviet Bloc Ports.

During 1951 a total of 159 million dollars worth of International List commodities is known to have been shipped to Soviet Bloc countries. An additional unknown amount, excluding Finland, is unreported. The breakdown by countries of origin is presented in Table 8.** In some instances it is possible to give a further breakdown. Thus, in the case of Turkey, shipments consisted of 7,532 metric tons of copper ingots valued at $8,090,000, 504,609 metric tons of chrome ore valued at $16,486,000, 46,202 metric tons of manganese valued at $1,614,000, and 18,903 metric tons of scrap iron valued at $770,000 for a grand total of 577,246 metric tons and a total value of $26,960,000. In the case of the Federal Republic of Germany values of shipments were as follows: International List I, $446,440; International List II, $2,035,536; and International List III, $187,513. Tonnages are not available. The Netherlands shipments were as follows: International List I, $140,794; International List II, $1,122,413; and International List III, $493,566 for a total of $1,756,733. Italy exported International List II commodities only for a total of $6.8 million. Accurate figures are not available for Finland while the bilateral agreements with Bloc countries give an approximate idea of such exports, the wording of available Finnish statistics is not sufficiently precise to permit identification of "list" items. Belgium's exports of "list" items were: International List I, $2.7 million; International List II, $15.0 million; and International List III, $3.1 million for a total of $20.8 million. Swedish goods on International List I and II licensed for export to the Bloc totaled $24,986,000 in 1951. Ball and roller bearings accounted for 61 percent of List I goods, while ships (primarily trawlers) accounted for 31 percent. Among the goods on List II, ball and roller bearings and ships accounted for 44 percent of the total. Danish exports of "list" items were: International List I, $75,113; International List II, $7,527,650; and International List III, $1,373,179 for a total of $8,975,942. UK exports of "list" items were: International List I, $558,647; International List II, $7,460,090; and International List III, $48,766,054 for a total of $56,784,791.

C. Figures of Earnings from Ships Sales to the Soviet Bloc.

1. Countries.

a. Denmark.

Two 13,000 gross ton tankers were contracted at the price of 15 million crowns each, a total of 30 million crowns, or at the rate of 14.5 cents per crown, about $4,350,000. The five refrigerated ships were to be delivered some time in 1953. The contract price is not available.

b. Belgium.

The value of Belgian commitments is estimated to amount to slightly over $11 million.

c. Netherlands.

Outstanding ship construction contracts with the USSR alone at least will require Soviet payments to the Netherlands in either goods or dollars to the value of about 60 million guilders (about $15.2 million) by 31 December 1954.

* Tables 6 and 7 follow on p.12 and p. 13.
** Table 8 follows on p. 14.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4
S-E-C-R-E-T

Table 6

Non-Communist Registered Merchant Ships under Charter
to the Soviet Bloc, by Registry
1951

Country	Number	Gross Registered Tons (Thousands)	Percent by Tons	Type of Vessel		Weight of Vessel (Gross Registered Tons)			Speed of Vessel		Charter Time	
				Dry Cargo	Tankers	Over 7,000	4,000 to 7,000	Under 4,000	12 Knots and Over	Under 12 Knots	Over 6 Months	Under 6 Months
European COCOM Countries												
UK	20	117	21.0	20	0	13	3	4	3	17	17	3
Norway	16	46	8.3	16	0	1	3	12	2	14	0	16
Italy	13	42	7.5	8	5	2	3	8	2	11	2	11
Denmark	5	20	3.6	5	0	0	2	3	3	2	1	4
Total	54	225	40.4	49	5	16	11	27	10	44	20	34
Other European Countries												
Greece	17	95	17.1	17	0	9	3	5	1	16	2	15
Turkey	9	34	6.1	9	0	0	4	5	1	8	2	7
Finland	7	29	5.2	5	2	3	0	4	0	7	1	6
Sweden	1	4	0.7	1	0	0	1	0	1	0	0	1
Total	34	162	29.1	32	2	12	8	14	3	31	5	29
Others												
Panama	26	150	26.9	25	1	11	10	5	2	24	0	26
Costa Rica	2	14	2.5	1	1	2	0	0	0	2	0	2
Liberia	1	6	1.1	1	0	0	1	0	0	1	0	1
Total	29	170	30.5	27	2	13	11	5	2	27	0	29
Grand Total	117	557	100.0	108	9	41	30	46	15	102	25	92

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4
S-E-C-R-E-T

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Table 7

Non-Communist Registered Merchant Ships under Charter
to the Soviet Bloc, by Beneficial Owner
1951

Country	Number	Gross Registered Tons (Thousands)	Percent by Tons	Type of Vessel		Weight of Vessel (Gross Registered Tons)			Speed of Vessel		Charter Time	
				Dry Cargo	Tankers	Over 7,000	4,000 to 7,000	Under 4,000	12 Knots and Over	Under 12 Knots	Over 6 Months	Under 6 Months
European COCOM Countries												
UK	27	208	37.3	36	1	20	7	10	4	33	17	20
Norway	16	46	8.3	16	0	1	3	12	2	14	0	16
Italy	14	49	8.8	8	6	2	4	8	2	12	2	12
US	6	42	7.5	6	0	5	1	0	0	6	0	6
Denmark	5	20	3.6	5	0	0	2	3	3	2	1	4
Total	78	365	65.5	71	7	28	17	33	11	67	20	58
Other European Countries												
Greece	22	125	22.5	22	0	10	7	5	1	21	2	20
Turkey	9	34	6.1	9	0	0	4	5	1	8	2	7
Finland	7	29	5.2	5	2	3	0	4	0	7	1	6
Sweden	1	4	0.7	1	0	0	1	0	1	0	0	1
Total	39	192	34.5	37	2	13	12	14	3	36	5	34
Grand Total	117	557	100.0	108	9	41	29	47	14	103	25	92

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Table 8

International List Commodities
Exported to the Soviet Bloc
1951

Million Dollars

Country	Exports
Greece	0
Turkey	26.9
Sweden	25.0
Spain	0
Portugal	0
Norway	2.0
Netherlands	1.8
Italy	6.8
Germany	2.7
France	7.2
Finland	N.A.
Denmark	9.0
Belgium	20.8
UK	56.8
Total	159.0

Some authorities estimate the total value of the vessels under construction for the Soviet Bloc at about $18 million. In practically every instance, the Bloc governments are willing to pay a premium over the existing market price. The payments are in cash (in gold or in dollar exchange) or, more often, the earnings can be applied as credit toward purchases of grain, coal, and othe raw products in the USSR or Poland.

2. Importance of Ship Construction in Western Yards to the Soviet Bloc.

Table 9* indicates the volume of ship construction in the nine principal shipbuilding countries in Europe. It will be noted that in the 185 principal shipyards in Northern Europe and Italy some 2,253 ships are being built with a total deadweight tonnage of about 17.2 million tons. Of this total, only 59 ships with an aggregate deadweight tonnage of slightly over 120,000 is for Soviet Bloc countries. Of the total, 32 ships are being built in Finland which due to its close location to the USSR and the political situation is compelled to accept shipbuilding orders from the Bloc. Of the remaining 27 ships only 2 are of considerable size, namely, the two 13,000 deadweight-ton tankers being built in Denmark. The rest of the ships average something less than 2,000 gross tons each.

a. Denmark.

Examining the relative importance of shipbuilding for the Soviet Bloc by individual countries it can be said that in Denmark all the Soviet ships are being built by Burmeister and Wain of Copenhagen. In this yard there is a total of 23 ships on order with an aggregate deadweight tonnage of 191,725. Of this, the tonnage being built for the Bloc, 7 ships of an aggregate tonnage of 29,675 tons, represents about 15 percent, whereas as far as the total tonnage being built in Denmark is concerned, the Bloc tonnage amounts to only 6 percent.

It is therefore submitted that, should all shipbuilding activities for the account of Soviet Bloc be embargoed, the loss to this individual shipbuilding concern in Denmark would be somewhere in the neighborhood of 15 percent of its total recepts and to the entire Danish economy something like 6 percent of their total income from shipbuilding. On the basis of these figures alone it would appear that an embargo on shipbuilding for the Bloc could be undertaken without any particular impairment to the Danish economy. However, one must bear in mind that a large percentage of the national revenue of Denmark is derived from ship repairs and from ocean freights. For instance, in the bilateral trade agreement between Denmark and Poland in 1950 there

* Table 9 follows on p. 15.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Table 9

Ship Construction in Selected European Countries
1 April 1952

Country	Number of Yards	Number of Ships	Deadweight Tonnage (Gross Tons)
UK	61	1,065	8,485,268
Belgium	2	29	369,276
Denmark	6	69	484,450
France	16	105	1,102,653
Germany	18	325	2,282,028
Netherlands	46	301	1,418,813
Italy	10	42	429,670
Norway	13	87	765,235
Sweden	13	230	1,873,765
Total	185	2,253	17,211,158

was included the sum of almost 5 million crowns for ship repairs by Denmark and some 10 million crowns for freights payable to Denmark. In the trade agreement of 1951 these amounts were 2 million crowns and 10 million crowns respectively. Thus, restrictions on shipping and shipbuilding services which Denmark supplies to the Bloc constitute a considerable amount. It is believed that if all such services were terminated, the activities of the shipbuilding industries would be somewhat affected because of the difficulty and delay in securing new construction and repair contracts in Western Europe at satisfactory prices, some unemployment in shipbuilding and related industries would result, and the transportation of coal from Poland would probably be disrupted, at least temporarily.

b. Belgium.

In view of the small amount of tonnage involved, the imposition of strict shipping controls in Belgium would not affect seriously either shipbuilding or ship repair activities. About 3 percent of the total shipping traffic through Belgium is of Soviet Bloc registry. Variations in the total volume of shipping traffic through Belgium exceeding this amount occur normally from month to month without affecting port and shipbuilding activities.

Two of the Belgian shipping agencies which handle the affairs of practically all of the Soviet lines calling at Antwerp would suffer losses if Soviet shipping was cut off. However, since these agencies also represent some of the largest Western European lines, the loss of Soviet Bloc business would not be critical to them. Practically all of the forwarding agencies in Belgium are involved in handling transit shipments to the Bloc. Since business with the Bloc is often more lucrative to a forwarder than business with the Western countries, a substantial total financial loss could result from the cessation of this type of activity. However, since so many forwarders participate in this business it is doubtful if any individual forwarder would be seriously affected.

During 1950, the latest year for which data are available, repair work performed on Soviet Bloc ships by all Western countries amounted to 10 million dollars. Only six percent of this total was performed in Belgium. Three Antwerp repair yards performed all of the repair work of Soviet ships during this period. These repairs amounted to more than 18 percent of the total work of the 3 yards.

The Belgian shipyard currently building for the USSR under the contract signed in 1948 has devoted most of its facilities and the labor of its 1,600 workmen to this contract during the past 2 years. Whereas in 1950 orders for new ships and repairs which were obtained from the Soviet Bloc were most helpful in maintaining the activity of the yard concerned it would now appear that most of the Belgian shipyards have a backlog of orders from Western countries. Therefore, any losses resulting from the termination of contracts with the Bloc would not, at least at the present time, affect them very greatly.

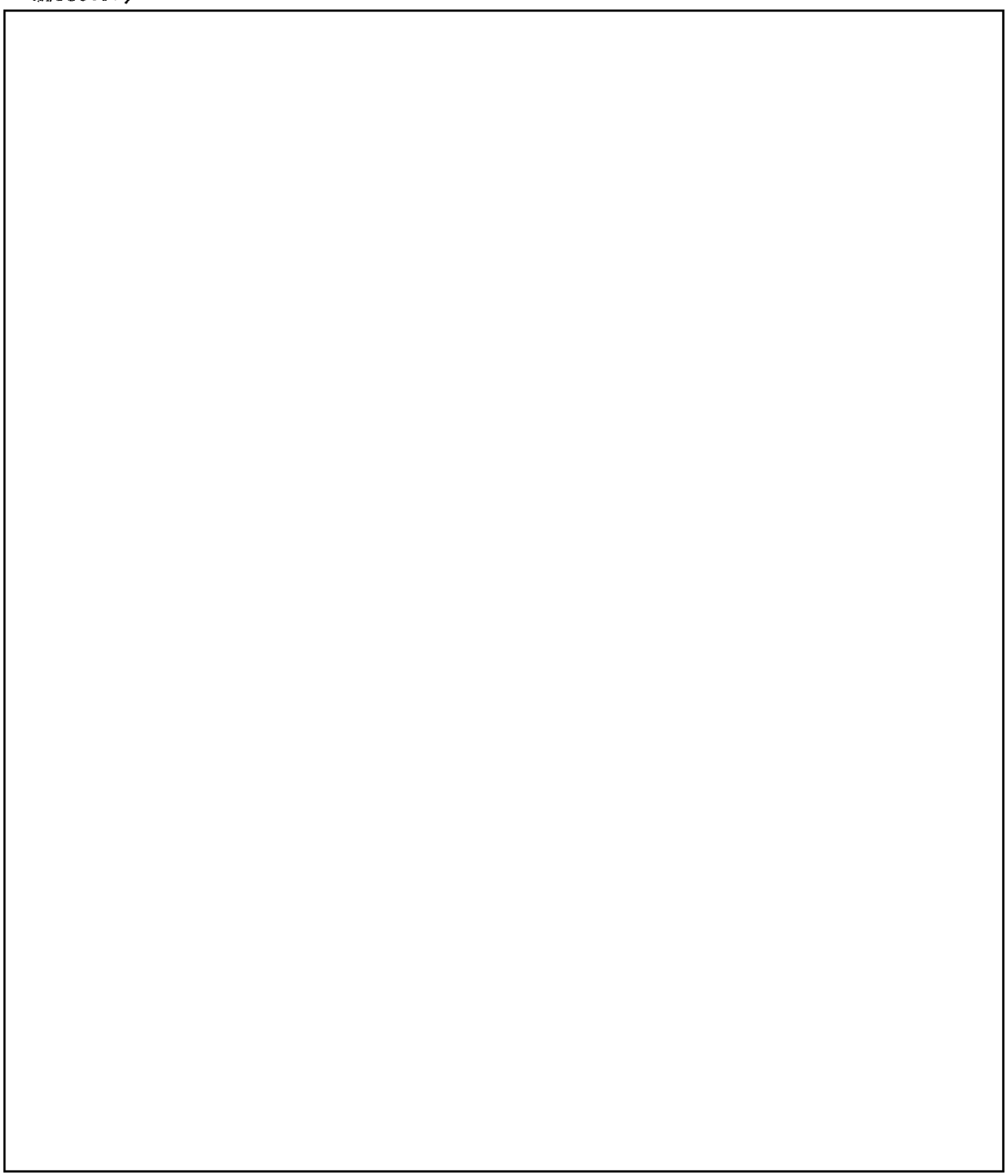
Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

c. France.

France does not build any ships for the Soviet Bloc and does not perform any repairs for the Bloc (with the exception of the repairs made on the S/S WISCONSIN which steamer was turned over to Poland under the Franco-Polish trade agreement). Therefore, the effect of the termination of all shipping and shipbuilding activities for the Bloc would be negligible, as far as the level of output in the shipping industries of France is concerned. As in the case of Denmark, the deliveries of coal from Poland may be seriously affected, but on the other hand Polish coal is unimportant to the French economy.

25X6A



e. Netherlands.

In evaluating the potential effect of the termination of shipping to the Soviet Bloc on Netherlands shipping and related industries, a distinction must be made between direct trade or shipments to the Bloc and trade or shipments moving through the Netherlands. Netherlands' exports to the Bloc in 1951 were less than 2.5 percent of total exports, imports were less than 3 percent, and transit trade to the East in 1950 was less than 2 percent of world

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

traffic transitting the country. These figures would at first sight indicate that a complete cessation of trade with the Bloc would result in only minor dislocations in the shipping industries affected, especially since only part of this trade is carried in Dutch bottoms. However, the figures do not represent a reasonable measure of the amount of trade carried or financed by the Netherlands which reaches the Bloc via inland waterways and particularly through Switzerland and Germany. The tonnage of transit shipments going by inland waterways alone was 8 percent in the case of Switzerland, and 35 percent in the case of Germany. It is impossible to determine from Dutch records what portion of these shipments was reshipped to the Bloc, but it is a known fact that large quantities of goods have reached the Bloc by these means.

Total stoppage of this trade would have a serious effect on the Dutch inland fleet and other inland transportation. Although it is not possible to express this fact in percentage figures, the impact would also be felt seriously by ports in the Netherlands and, in the long run, in the economy of the whole country.

Due to the lack of comprehensive Dutch statistics no evaluation can be made of the effect of restrictions on trade with the Soviet Bloc, on employment in shipping, and related industries. However, unemployment at present is a serious problem to the Netherlands government and a further increase will aggravate it. At the end of February 1952, total unemployment numbered 184,000. Of this number, 1,500 were merchant marine personnel and 6,145 land-based personnel of transportation enterprises.

f. Italy.

The Italian shipbuilding industry has generally been depressed mainly because of peace treaty limitations on the construction of naval vessels. Italian shipbuilding costs are high, almost double those of the UK. Consequently, the Italian government was forced to subsidize the shipbuilding yards. The subsidization has been carried out under the so-called Saragat Law of 8 March 1949. Because of high costs it has been difficult for Italy to find foreign customers. In certain cases, however, it is presumed that Soviet Bloc customers, or buyers, disregard cost factors. The most significant production for the Bloc is not the ships themselves but marine diesel engines. In 1951, the value of ship exports which are not under International Control Lists amounted to only $2,825,000 whereas the value of marine diesel engines was $6,800,000. Italy's general problem of employment includes shipyard workers. It is presumed that even a relatively small reduction in shipyard work resulting from stoppage of work on vessels destined for the Bloc would provide political fuel for the Communist-influenced unions.

g. Norway.

There is no construction or repairs of Soviet Bloc vessels in Norway. The termination of ship services to the Bloc would have little or no effect on shipping and related industries in Norway.

h. Sweden.

Sweden delivered a total of 67 vessels valued at 78.9 million crowns to the USSR between 1948 and 30 June 1952. Out of this number only three were small tankers. The other vessels were trawlers and fishing vessels. Seventeen vessels valued at 34.1 million crowns remain to be delivered during the second half of 1952 and 1953. Of this latter number, three are reported to be tankers. Swedish deliveries of vessels to Poland totaled 18, valued at 24.4 million crowns during the period 1950 through 30 June 1952. Except for an old cargo vessel (the AXEL SALEN) the vessels consisted of smaller types. Recent reports from Sweden have made no mention of any repair work being carried out on Soviet Bloc ships. Swedish ships calling at Bloc ports are engaged in carrying goods between Swedish and Bloc countries. The majority of vessels are engaged in carrying coal from Poland to Sweden. Ships engaged in this traffic are smaller vessels, designed for Baltic and European traffic. Swedish shipowners have complained that they have not been given a fair share of the carriage of goods between Sweden and the USSR. Termination of shipping services to the Bloc would not have any significant affect on the Swedish shipping industry.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

i. UK.

No ships were launched in the UK for registration in any of the Soviet Bloc countries during 1951 or 1952. The Admiralty seized two tankers of 15,684 gross tons which were originally built in England for Polish ownership. In that case the Admiralty claimed that the vessels were necessary for the defense of the country and hoisted the white ensign on the ships.

On the other hand, the British government is opposed in principle to the imposition of formal controls on shipping services as a means of strengthening the security of export controls. However, informal arrangements on control do exist. For instance, British oil companies now withhold bunkers from those vessels east of Suez in cases where there are no bunkering contracts with the shipowners, or where the oil companies are not in the habit of supplying bunkers on a spot basis. Black lists are maintained on small ships sailing in Far Eastern waters suspected of supplying fuel to Communist China, and the oil companies are careful to supply these vessels with only a minimum of their requirements.

On the basis of available information (which is by no means complete), it can be concluded that complete termination by the UK of all shipping and shipping services to the Soviet Bloc would have little appreciative effect on the level of output, employment and raw material availability in shipping, and related industries.

j. Finland.

While information on ship deliveries to the USSR from Finland is somewhat out of date, a fairly accurate picture of 1952 deliveries of various kinds of vessels to the USSR as reparations and under the current bilateral trade agreement follows; 26 tugs, 80 lighters, 4 trawlers, 19 schooners, 3 tankers of 1,100 gross tons each, and 4 cargo ships of 3,200 gross tons each. Finland also planned to deliver 20 ships boilers to the USSR under the bilateral agreement in 1952.

The value of vessels and repairs to vessels to be supplied to Poland under the 1952 bilateral agreement cannot be determined precisely, but the total amount provided in the agreement to cover vessels repairs and some machinery for processing forest products amount to $700,000.

If the supply of ships and shipping services to the Soviet Bloc from Finland were terminated, it is believed that:

(1) The activities in shipbuilding and allied industries would be most severely curtailed with very serious adverse affects on the entire economy of Finland. Finland would be unable to pay for vitally needed supplies of grain, fuels, and other staples.

(2) Serious unemployment with probable disturbances of a serious nature would result.

(3) Raw materials shortages would develop because of the cessation of necessary imports from the Bloc.

On the other hand, cutbacks in the small supply of steel to Finland by the US need not have any effects on shipbuilding for the Soviet Bloc account, because the USSR furnished much of the steel required and domestic industry could probably supply any deficit not obtainable in Western Europe. The possible effects on cutbacks in the very limited amounts of other materials supplied Finland by the US would probably be negligible except possibly for coke and petroleum products.

Delays in the deliveries of ships due as reparations would subject Finland to very severe penalties of unpredictable extent.

k. Other Countries.

No deliveries of ships were made during 1951 or 1952 from Portugal, Spain, Greece, or Turkey.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

No shipping services exist between Spain and Portugal and the Soviet Bloc so that the economy of these countries would not be affected in any way due to termination of shipping services. Any shipping activities which Turkey may carry on with the Soviet Bloc are of minor nature. Turkish policy is aimed at building up its domestic fleet. Therefore, termination of shipping and shipping services to the Bloc would not have any appreciable effect on industrial output, employment, or raw material availability.

The Greek shipbuilding and ship repair industry makes the poorest showing since the war of any sector of the economy, averaging only 7 percent of prewar activity during 1951.

Trade and other economic relations between Greece and the Soviet Bloc are very limited. The presence or absence of shipping and shipping services to that area would not significantly alter industrial output, employment, or raw material availability. Greek legislation regarding shipping controls in the trade with Communist China as effected by United Nations embargo under Resolution No. 500 of 18 May 1951 is pending.

III. Balance of Payments Considerations.

A. Summary of Western Trade Relations with the Soviet Bloc by Countries.*

1. Denmark.

While the receipts of Danish shipping in foreign service form one of the most important sources of foreign exchange for Denmark, no information is available as to the relative importance of such receipts from Soviet Bloc countries. /Total earnings in service between foreign ports and between Danish ports and abroad were about 1,250 million crowns ($181 million) in 1951, or 50 percent more than in 1950. Net earnings from voyages solely between foreign ports were 575 million crowns ($83.2 million) in 1951./

2. Belgium.

The tonnage of sea-borne merchandise moving between Belgium and the Soviet Bloc amounts to only 2 percent of the total sea tonnage moving between Belgium and all other countries. In addition, it has been determined that most of the tonnage originating in or destined for the Bloc is carried in ships belonging to the Bloc. Although there is no information available as to the amount of income received by Belgium as a result of shipping and shipping services to the Bloc, it is estimated that because of the small tonnage involved and the fact that few Belgian ships are used in this traffic, income from this activity is very small compared to total Belgian shipping receipts from the world.

3. France.

The income from shipping during the first 6 months of 1951 amounted to $9,000 from Poland and $12,000 from Czechoslovakia. Information is not available for other countries.

Net receipts, that is receipts minus expenditures for all countries, totalled:

$ 36,769,000	(Receipts)
$133,682,000	(Expenditures
-$ 96,913,000	(Net Balance)

4. West Germany.

No data are available for West Germany.

5. Netherlands.

a. Income Received from Shipping Services to the Soviet Bloc.

Netherlands statistics do not show a breakdown of receipts from "invisibles" by either country or category (banking, insurance, and shipping).

* A breakdown of total Western export trade and exports to the Soviet Bloc by countries is shown in Table 11 which follows on p. 20.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

[redacted]

Table 11

Quantity and Value of Western Exports
1950-51

Country	Total Exports: Quantity (Metric Tons) 1950	Total Exports: Quantity (Metric Tons) 1951	Total Exports: Value (Thousand US Dollars) 1950	Total Exports: Value (Thousand US Dollars) 1951	Exports to Soviet Bloc: Quantity (Metric Tons) 1950	Exports to Soviet Bloc: Quantity (Metric Tons) 1951	Exports to Soviet Bloc: Value (Thousand US Dollars) 1950	Exports to Soviet Bloc: Value (Thousand US Dollars) 1951	Percent of Total Exports (Expressed in Value) 1950	Percent of Total Exports (Expressed in Value) 1951
Greece	437,580	736,251	90.3	88.4	576	1,417	0.5	0.4	0.55	0.45
Turkey	985,329	1,505,436	263.4	314.0	44,665	42,941	18.1	24.7	6.87	7.87
Sweden	N.A.	N.A.	1,103.1	1,778.5	N.A.	N.A.	83.6	126.7	7.58	7.12
Spain	3,996,392	3,848,663	404.9	477.7	N.A.	N.A.	0.3	0.4	0.07	0.08
Portugal	1,666,381	N.A.	185.5	263.1	32,747	N.A.	2.8	4.7	1.51	1.79
Norway	N.A.	N.A.	390.2	620.0	N.A.	N.A.	25.8	29.2	6.61	4.71
Netherlands	14,442,246	16,610,858	1,391.7	1,951.5	237,427	124,725	37.0	40.0	2.68	2.05
Italy	5,245,647	6,368,925	1,199.4	1,629.3	167,438	154,259	62.7	65.7	5.22	4.03
West Germany	41,680,818	43,004,199	1,980.5	3,473.6	51,796	N.A.	86.2	67.8	4.35	1.95
France	34,378,000	39,889,000	3,079.2	4,225.1	114,004	106,548	38.0	40.1	1.23	0.95
Finland	N.A.	N.A.	354.3	812.3	N.A.	N.A.	43.2	94.5	12.19	11.63
Denmark	N.A.	N.A.	664.9	837.9	N.A.	N.A.	21.8	40.0	3.29	4.77
Belgium	16,360,826	20,260,475	1,651.4	2,651.4	326,765	405,687	67.6	64.4	4.09	2.43
UK	N.A.	N.A.	6,317.0	7,578.3	N.A.	N.A.	97.0	119.3	1.53	1.57
Total	119,193,219	132,223,807	19,075.8	26,701.1	975,418	835,577	584.6	717.9		

[redacted]

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

SECRET

It was stated that the Netherlands earned $156 million in "invisibles" from the Soviet Bloc in 1951 (probably mostly from shipping, insurance, and banking commissions).

b. Gross Income from Services to All Countries.

Gross income from services to all countries amounted to about $525 million, as compared to the estimate of $156 million from the Soviet Bloc. Assuming that this estimate is correct, more than 25 percent of the total gross receipts from services would have come from services to the Bloc. A comparison between total net receipts and net receipts from the Bloc is not possible, since the estimate apparently refers only to gross receipts. (Net receipts from services to all countries amounted to about $310 million in 1951.)

6. Italy.

No specific data on income from shipping services to the Soviet Bloc are available.

Occasional repairs have been made to Soviet Bloc ships in Italian yards, Bloc ships fueled, and two long-term Italian ships chartered. Approximately 17 or more ships made single voyages to the Black Sea during the period January to May 1952.

Italy earned roughly $100 million from world-wide shipping services in 1951. If it is assumed that Italy's earnings from shipping services to the Soviet Bloc are in roughly the same proportion as Italy's merchandise exports to the Bloc are to the world (which is about 3.5 percent), then earnings of $3.5 million can be roughly estimated. This, of course, is at best a rough estimate. In any case, the sum would not be especially significant as a percentage of Italy's global earnings from merchandise trade and services which amounted to almost $2 billion in 1951.

7. Norway.

No figures are available on Norway's income from shipping services to the Soviet Bloc. The figure, however, is not thought to be substantial, and the proportion to total receipts is likely to be small.

8. Sweden.

There is no specific information available on the income received from shipping services to the Soviet Bloc. In the case of Eastern European countries, payments for shipping services enter into the clearing arrangements of the bilateral agreements with the individual countries.

25X6A

Income from direct traffic with Communist China and North Korea is probably relatively small under current conditions and would have small effect on Sweden's over-all balance of payments.

[redacted]

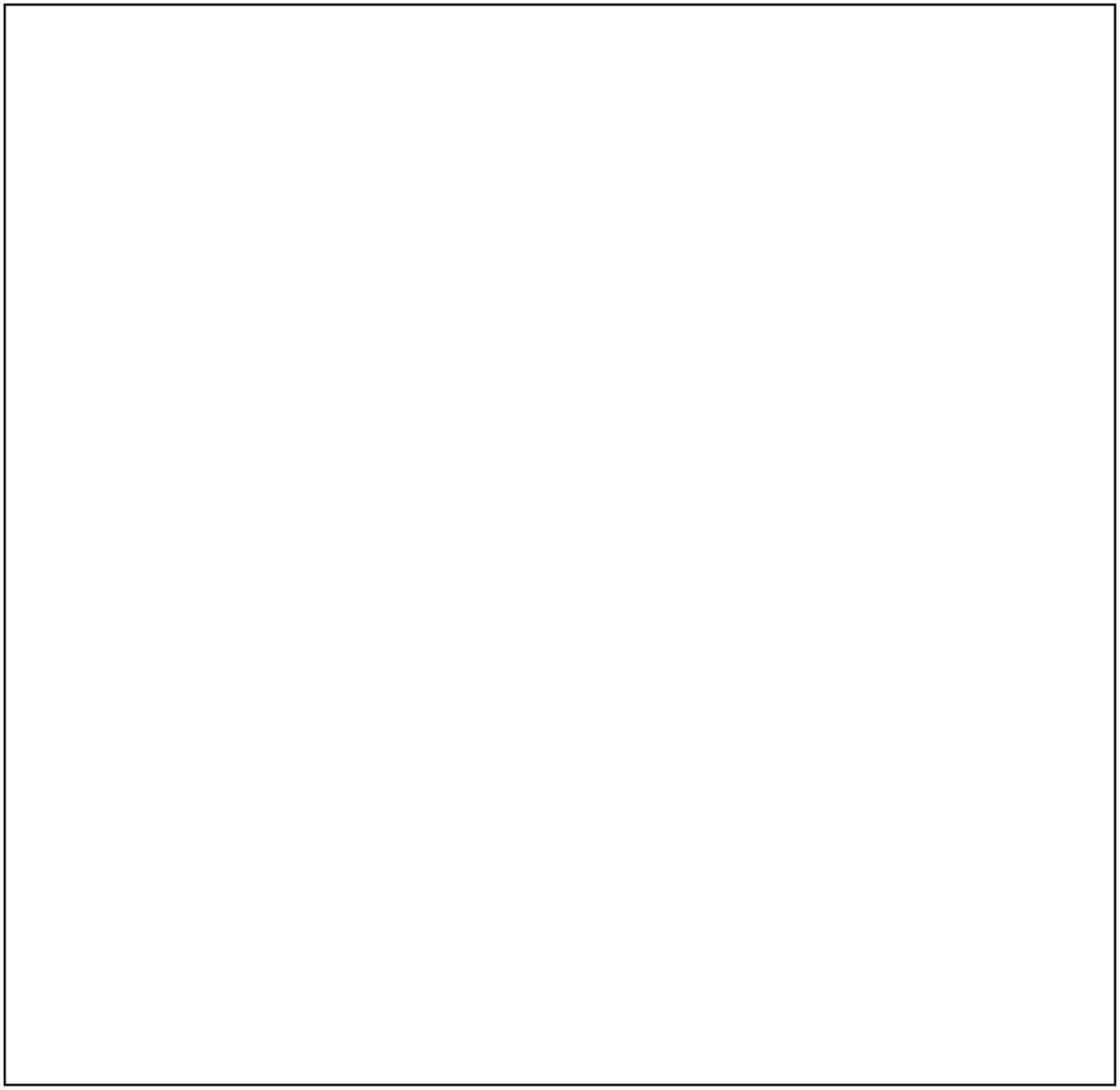
* Table 12 follows on p. 22.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

SECRET

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

SECRET



25X6A

10. Finland

Of the total free trade deliveries (excluding reparations shipments) of 15,548,947,363 Finnish marks to the USSR in 1951, 2,097,399,500 Finnish marks represented watercraft deliveries. This equals 13.5 percent of Finnish exports to the USSR. Of war reparations deliveries of $17,950,200 (1938 dollar values), deliveries of vessels of all categories constituted $9,639,000, or about 54 percent of the total.

11. Other Countries.

No accurate data are available for the remaining countries but due to the negligible volume of shipping and shipping services provided by these countries to the Soviet Bloc, it is fair to assume that cessation of such activities will have practically no effect on the balance of payments considerations.

IV. Effect of Sudden Withdrawal of Charter Parties.

A certain amount of dislocation would be inevitable in the West if all charter parties between Western flag shipowners and the Soviet Bloc were suddenly withdrawn. However, it is believed that the West would be able to absorb this shipping without undue difficulty, particularly since the West seeks alternative sources for materials now coming from the Bloc. It is also believed that the loss of Bloc shipbuilding orders in Western shipyards would have no economic significance to the West. Western shipyards have a backlog of unfilled orders sufficient to keep them busy for at least four years.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

SECRET

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

V. Importance of Merchant Vessels to the Soviet Bloc in Time of War.

A. Physical Characteristics of Soviet Bloc Merchant Vessels.

1. Size.

In the Arctic, Baltic, Black Sea, and along the China Coast the relatively small size of the Soviet Bloc merchant ships would represent a distinct advantage, as small ships are eminently suited to amphibious operations. Moreover, in these areas distances between ports are not great and port facilities are such that only small ships can operate efficiently there. The only area where the Bloc would need larger ships is in the Far East north of Vladivostok. Most of the larger Bloc ships are now in that area. Denial of large ships (that is, 7,000 tons and over) to the Bloc would not (repeat not) seriously diminish Soviet war potential. As corroboration, of the 43 ships bought by the Bloc in the West since 1947, only 6 were over 7,000 gross tons, and the average was 3,568 gross tons.

2. Speed.

The relatively slow speed of Soviet Bloc merchant ships represents only a trivial disadvantage in the Arctic, Baltic, Black Sea, and along the China coast. In the Far East, north of Vladivostok, faster ships would be desired and the Bloc now has a substantial proportion of its faster ships in this area. Denial of fast ships (that is, 12 knots and above) would not (repeat not) seriously diminish Soviet war potential especially during the early stages of a campaign.

As corroboration, the 43 ships bought by the Soviet Bloc since 1947, only 17 had cruising speeds of 12 knots and above.

3. Tonnage (in Gross Tons).

The Soviet Bloc now has enough merchant ship tonnage to wage all-out war. In the event of war, it is estimated that the Bloc would augment its present merchant fleet by at least 800 thousand gross tons of captured shipping of all sizes and types.

4. Type of Vessel.

The Soviet Bloc merchant marine lacks tankers, and this lack might hinder the Soviet war effort in some areas, particularly in the Far East.

5. Age, Condition, and Type of Propulsion.

The old age and generally poor condition of the Soviet Bloc merchant fleet would be a detriment to Soviet war potential only in proportion as the Russians engaged in long-term amphibious operations. For a short-term campaign the present fleet would be adequate. The type of propulsion would not affect Soviet war potential one way or the other.

6. Structural Characteristics.

The Soviet Bloc now has 17 freighters and combinations that could be converted to commerce raiders in time of war. In addition the Bloc has 11 tankers which could be converted to raiders, raider supply craft, or submarine supply craft.

B. Western Facilities Denied to the Soviet Bloc.

In time of war the following items of shipping service performed by Western European countries would not be available to the Soviet Bloc merchant fleet: (a) Repairs and alterations, (b) Ship supplies and stores (bunkering in particular), (c) Chartering and the carriage of controlled goods to the Soviet Bloc in Western ships.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

APPENDIX A

TABULATION OF THE ESTIMATED TOTAL MAXIMUM YEARLY CAPACITY OF SHIPYARDS IN THE SOVIET BLOC

Name of Shipyard	Location	Estimated Total Maximum Yearly Capacity (Gross Registered Tons)
	USSR	
Petrozavodsk	Arctic	9,300
Rybprom	Arctic	23,200
Mobtovsk	Arctic	88,800
Krasnayakuznitsa	Arctic	9,000
Baltic	Baltic	86,100
Marti	Baltic	28,800
Zhdanov	Baltic	53,200
Sudomekh	Baltic	20,200
Okhtenski	Baltic	21,600
Nevski	Baltic	4,000
MVD (5 Yards)	Baltic	5,000
Izhora	Baltic	2,000
Kronstadt	Baltic	7,200
Laksa	Baltic	2,000
Morskoi Zavod	Baltic	18,000
Kapli II	Baltic	18,500
Canrstigall	Baltic	35,600
Klaipeda	Baltic	18,000
Schichau	Baltic	5,800
Marti Nikolayev	Black Sea	64,600
Northern	Black Sea	41,300
Marti, Odessa a/	Black Sea	3,000
Kherson a/	Black Sea	4,000
Kamysh Burun	Black Sea	15,000
Sevastopol	Black Sea	18,000
Novorossisk	Black Sea	6,000
Amur	Far East	63,600
Osiporski	Far East	4,000
Base Amurskaya	Far East	5,000
Nikolayevsk	Far East	5,000
Sovetskaya Gavan	Far East	4,000
Dalstroy	Far East	5,000
Number 2	Far East	4,000
Kokui a/	Far East	2,000
Kamchatka a/	Far East	3,000
Kirov, Astrakhan a/	Inland	2,000
Lenin, Astrakhan a/	Inland	2,000
International, Astrakha	Inland	2,000
Krasnoarmeisk a/	Inland	3,000
Samara a/	Inland	2,000
25th October	Inland	2,000
Number 340 Zelenodolsk	Inland	3,000
Krahoe Sormovd	Inland	12,000
Molotov	Inland	5,600
Karl Marx a/	Inland	1,000
Gorodets	Inland	3,000
Number 341	Inland	
Katerostrogenive a/	Inland	1,500
Voladarski a/	Inland	1,500
Schmiedehafen	Inland	3,000
Estimated Total		747,400

a. Engaged in merchant ships construction only.

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Gross Registered Tons

Name of Shipyard	Location	Estimated Total Maximum Yearly Capacity
	Poland	
Elblag	Elblag	32,700
Gdansk	Gdansk	65,400
Wojan	Gdansk	6,000
Vulcan	Stettin	59,500
Odra	Stettin	36,700
Estimated Total		200,300
	East Germany	
Neptun	Rostock	19,100
Rothensee	Magdeburg	18,000
Warnow	Warnemuende	19,400
Mathias-Thesen	Wismar	16,300
Ernest Thaileman	Brandenburg	10,000
Elbe	Boizenburg	3,750
Hugo Schutze	Aken	12,600
Tetlow	Berlin-Zehlendorf	6,000
Bolle	Derbin	2,000
Mermann Loesche	Derbin	3,000
Hermecke	Magdeburg	6,000
W.D. Voss	Plaur Havel	4,400
Magdeburg	Magdeburg Zollhafen	6,800
Moser	Holz & Essen	1,500
Gustav Bauer	Wernsdorft	1,500
Georg Biersteadt	Tanaenmunde	11,100
Rogatz	Rogatz	10,800
Carl Gannott	Niederlehme	2,400
Wilhelm Vogel	Alsieben	2,600
Herman Haase	Mullross	3,200
Adell & Poche & Sohns	Sachsen	4,000
Henrich Weisse	N.A.	15,000
Volkswerft	Stralsund	5,000
Adolph Schutze	Genthin	2,400
Estimated Total		186,850
	Czechoslovakia	
Komarno Yard Number 1	Komarno	2,000
Komarno Yard Number 2	Komarno	12,000
CKD	Usti nad Labem	10,500
Holesovice	Praha-Holesovice	7,500
Liben	Praha-Liben	8,500
Bratislava	Bratislava	6,000
Estimated Total		46,500
	Rumania	
Turnu-SRT	Turnu-Servin	10,000
Constantza	Constantza	1,600
Braila	Braila	5,750
Alexici	Braila	1,100
Franco-Roman	Braila	2,100
Danubiu	Braila	1,100
Izbanda	Braila	2,100
Braila-SRT	Braila	4,200
Galatz-SRT	Galatz	6,300
Orsova-SRT	Orsova	1,100
Olentia	Olentia	1,100
Estimated Total		36,450

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4

[redacted]

Gross Registered Tons

Name of Shipyard	Location	Estimated Total Maximum Yearly Capacity
	Communist China	
Kiangnan	Shanghai	14,300
Ta Chung Hua	Shanghai	2,800
Moller	Shanghai	4,000
Franco Chinese	Shanghai	5,700
Tsingtao	Tsingtao	1,400
Estimated Total		28,200
	Bulgaria	
Neptun	Stalin (Varna)	11,600
Koralovag	Stalin (Varna)	4,400
Varna	Stalin (Varna)	7,700
Estimated Total		23,700
	Hungary	
Ganz	Budapest	10,000
Obuda	Budapest	6,000
Estimated Total		16,000
	Albania	
Durazzo	N.A.	4,800
Estimated Total		4,800
Estimated Grand Total		1,290,200

[redacted]

Approved For Release 2002/05/02 : CIA-RDP79S01100A000200020003-4